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California Housing Finance Agency Comments on Moody's Downgrade

SACRAMENTO, July 22, 2009 – The California Housing Finance Agency (CalHFA) today commented on the announcement by Moody's Investors Service to make a single-notch downgrade of the Agency's Home Mortgage Revenue Bonds (HMRB) from Aa2 to Aa3 and its Agency Issuer Credit Rating from Aa3 to A1.

The Agency said it was disappointed by the downgrades, but noted that Moody's itself acknowledged that CalHFA has sufficient financial resources to cover risks the Agency may incur.

"The CalHFA team has been absolutely resolute in working to reduce our risk exposure by working with counterparties to modify credit terms and keeping in contact with borrowers to minimize loan losses," said Steven Spears, Acting Director of CalHFA. "All of this is being accomplished during a time when Californians are suffering the effects of a deep recession that, among other things, is putting extreme downward pressure on home values."

Moody's noted that CalHFA has a "solid capital base." The rating agency based its downgrade decision on "external factors" primarily relating to declining values in California's real estate market.

The Agency said it is gratified that Moody's does recognize some of the inherent strengths of the CalHFA portfolio, specifically citing its loans as "fully amortizing, fixed-coupon loans and the Agency has maintained traditional standards for documentation and underwriting. All of the loans are to owner-occupants."

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“While CalHFA operates exclusively in California and faces the unique issues affecting our state’s real estate market, the Agency’s lending was distinct,” Mr. Spears said. “CalHFA was not and is not involved in subprime or Alt-A loans. CalHFA continues to apply the highest underwriting standards and full documentation requirements to all of our mortgage lending. The Moody’s downgrade will have no impact on our current borrowers.”

CalHFA continues to actively work with borrowers to prevent foreclosures in this market and to develop a new business model that mitigates risk to the Agency. CalHFA is also collaborating with other Housing Finance Agencies and federal officials to encourage actions that will stabilize bond markets and provide the liquidity necessary to accomplish its purpose. The Agency remains committed to its mission.

About CalHFA

Created in 1975 as the state’s affordable housing bank, the California Housing Finance Agency has invested more than \$19 billion in non-taxpayer funds to help more than 150,000 California families live in a home of their own with a mortgage they can afford. For more information on CalHFA, please visit www.calhfa.ca.gov

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